

San José **Excels!**

A recommendation from the
Community Budget Working Group
February 8, 2008

ABOUT THE WORKING GROUP

The Community Budget Working Group was formed by a group of community leaders to assure that a broad range of voices can bring innovative ideas to elected leaders, as the City of San José discusses how to allocate increasingly scarce resources. Convened by Working Partnerships USA, the Working Group is guided by a steering committee of representatives from a broad range of community organizations and constituencies. Participants include City commissioners, heads of ethnic Chambers of Commerce, religious leaders, environmentalists and neighborhood activists.

More information and an electronic version of this report are available at the website – MyBudgetIdea.com

DRIVING BUDGET PRINCIPLE

The San José budget shall be used as an instrument to create and sustain a prosperous city that:

- provides high levels of security and safety to its neighborhoods,
- offers superior neighborhood and community services at well maintained sites,
- protects the natural environment,
- encourages a vital artistic and cultural life,
- strives to assure equity to a diverse population, and
- operates government activities and functions in an efficient and user friendly manner.

BUDGET PLAN

Ten Keys to Excellence

1 San José should maintain the highest levels of security and safety in its neighborhoods through the prevention and control of crime and the provision of emergency response services.

Budget Strategies:

- Adopt policies that require downtown business interests to pay for a greater share of the high costs of police services in that area. In addition, examine the feasibility of employing

the Oakland model that allows the Redevelopment Agency (RDA) to pay for law enforcement costs in a special police district.

- Offer the voters the opportunity to significantly increase the size of the San José police force and meet critical needs in the fire department and other emergency services departments by approving a Public Safety parcel tax or a modification in the utility tax to cover inter-state and international phone calls.

2 San José should fully fund the provision and maintenance of basic neighborhood services including parks, pools, community centers, libraries and neighborhood streets.

Budget Strategies:

- Adopt a budget policy that no additions can be made to the existing city services or projects unless the City Council has made a finding in public session that the proposed addition is of greater importance than bringing basic services to a satisfactory level.
- Place before the voters a revision of the Construction and Conveyance Tax that allows a substantially greater percentage of the revenues to be used for maintenance. In FY07-08, allocating 50% of the C & C for maintenance would have generated over \$10 million dollars to meet the city's maintenance needs.
- Place before the voters a 2% increase in the Transient Occupancy Tax (TOT) with the funds generated to be used for basic neighborhood services, such as libraries, community centers, code enforcement and street maintenance. In FY07-08 this strategy would have generated approximately \$2.7 million dollars.
- Appropriate as much of the RDA tax increment revenues as is legally possible to benefit the city's General Fund. Support state legislation to allow limited amounts of RDA revenue to be used for infrastructure maintenance and augmented city services in project areas.
- Establish priorities for projects within the city's deferred infrastructure maintenance backlog. Place before the voters a \$10.00/year parcel tax to address the highest priority items. Town hall meetings in each Council District will choose among the high priority items in that District. Revenue generated by this strategy in FY07-08 would have been approximately \$2.4 million.
- Reinstate the program through which the RDA pays the park impact fees on affordable housing projects financed with RDA resources.
- Establish a San José Parks Foundation to raise private funds to acquire land

for, and develop, urban parks and urban open space.

- Place before the voters the option of creating a budget stabilization reserve, to be created out of one-time revenues or budget surpluses. No more than .5% of the General Fund per year shall be added to the reserve, and the reserve shall never exceed 1% of the General Fund. Proceeds from the fund shall only be used to retain city staff during cyclical budget downturns.
- Place before the voters a modernization of the city's business license tax with the proceeds to be used for sustaining basic neighborhood services.

3 San José should increase its code enforcement programs in city neighborhoods.

Budget Strategies:

- Increase penalties for code enforcement violations and use fees to pay for additional personnel

4 San José should strive to be a prosperous city in which residents can reasonably attain a middle class standard of living with opportunities for economic advancement.

Budget Strategies:

- Direct the city's economic development strategy to emphasize the generation of high-quality jobs with good wages and benefits.
- Design programs that encourage the growth of small businesses, including strategies to assist such firms in securing city contracts.
- Expand the city's Living Wage policies to include additional firms, thereby increasing the number of self-sufficient households in San José neighborhoods.
- Modify the enforcement of the city's prevailing wage regulations to target contracts in which violations are more likely to occur while reducing resources focused on contracts such as Project Labor Agreements which have their own alternative enforcement mechanisms.

5 San José should be a regional center of the arts and culture.

Budget Strategies:

- Allow funds currently earmarked for public art to be used for any arts infrastructure project in the city, such as the construction of performance or exhibit space.

6 San José should be a national leader in strategies to protect the natural environment.

Budget Strategies:

- Re-invest funds generated by energy conservation or other environmental programs that reduce costs into further efforts to improve environmental quality.
- Whenever feasible, employ RDA resources wherever feasible in energy conservation and clean energy projects

7 San José should meet high standards for an efficient, open, and community friendly government.

Budget Strategies:

- Direct the City Auditor's Office to examine the annual proposed budget for accuracy and potential savings, to review department performance and recommend improvements, and to evaluate grants received from external sources to assure the city is maximizing revenue and payment for overhead.
- Institute the use of benchmarking to establish performance targets for departments while providing staff at all levels with opportunities to suggest innovations to achieve specified objectives.
- Design budget preparation methods that reduce the size of the excess fund balance and allow the City Council to determine the use of excess fund balances during the regularly scheduled annual budget hearings.
- Join with other jurisdictions to leverage buying power and reduce costs for standard purchases.
- Create employee wellness programs in order to improve the health of city workers, reduce absenteeism, and lower health insurance costs
- Establish a Technology Advisory Council through which Silicon Valley business leaders

suggest ways the city can use technology to improve efficiency

- Preserve a high skilled, high quality workforce through competitive wages and benefits and a challenging work environment.
- Avoid policies that encourage employees to seek training in San José and then pursue career advancement in other jurisdictions.
- Adopt open government proposals that allow residents to meaningfully participate in city decision-making.
- Evaluate hiring a Grants Development professional the cost of which would be covered by the generation of new revenues.
- Provide organizational systems and incentives that encourage employees to generate new ideas to improve service and achieve cost savings.

8 San José should build a stronger tax base in order to provide first-rate public services.

Budget Strategies:

- Reorganize the city's economic development strategy to make General Fund revenue growth the highest priority.
- Adopt policies for the evaluation of public subsidies that assure a high return on the investment of tax dollars. These measures should include acceptance of the public subsidy recommendations from the Sunshine Task Force. When subsidies are made to public facilities operated by a non-governmental organization (such as the HP Pavilion), an analysis must demonstrate that marginal revenues will significantly exceed marginal costs.
- Clarify the city's policy regarding the rezoning of industrial land for residential uses to indicate that "extraordinary benefit" means benefits to the city's General Fund
- Institute a "Buy San José" campaign aimed at encouraging purchases in San José by residents, businesses, and government agencies
- Adopt a "Santana Row" retail strategy that places retail outlets on the city's periphery where they are most likely to attract purchases from residents of nearby jurisdictions
- Redirect RDA expenditures to focus on projects that generate maximum General Fund revenue

- Review city fees to achieve full cost recovery where compatible with other City goals and determine whether fees can be levied to mitigate costs associated with negative environmental costs generated by specific business products or practices (as legitimated in the Sinclair Paint decision)
- Revise the city's hotel strategy to permit additional hotels on the periphery of the city in order to increase TOT revenues
- Strongly support state legislation or state initiatives to reform California's public finance system. Any major proposal should include expanding the sales tax to services and allowing a limited percentage of RDA tax increment funds to be used for public services needed to accomplish Redevelopment Project Area objectives.
- Coordinate City economic development programs with San José State University to maximize benefits from the university's capacities as a research center and as a major contributor to training the region's skilled workforce.
- Establish an Economic Development Advisory Committee to solicit and evaluate economic development proposals from community organizations, businesses, and the public at large.

9 San José should implement land use policies and capital budget plans that enhance Smart Growth but do not burden the city's General Fund operating budget or cause reductions in city services.

Budget Strategies:

- Defer approval of capital projects unless resources for necessary operations and maintenance have been identified.
- Evaluate whether bonds for capital projects can include reserves for basic maintenance projected to be needed during the period of debt service.
- Require that all major land use Specific Plans shall have, at worst, a neutral impact on the city General Fund.
- Employ assessment districts for basic infrastructure required by major new developments. Existing neighborhoods seeking expedited infrastructure improvements (in advance of schedules based on existing city financial capabilities) can also employ assessment districts with resident approval.

- Finance improvements on major roadways and arterials with developer fees, where improvements are made necessary by a specific project; with RDA funds where improvements produce primary benefit to a Project Area; and with construction taxes. Offer residents the opportunity to finance additional improvements with General Obligation bonds.

10 San José should promote fairness and equity amongst the multiple diverse constituencies that make the city their home.

Budget Strategies:

- Allocate resources with the objective of maintaining equity in public services and public infrastructure among all communities and geographic districts in the city.